

**GOVERNMENT OF INDIA
SHIPPING
LOK SABHA**

UNSTARRED QUESTION NO:2973
ANSWERED ON:13.08.2003
UNAUTHORISED TRANSFER OF FUNDS BY SCI
VSM (RETD.) COL. CHOUDHARY

Will the Minister of SHIPPING be pleased to state:

- (a) whether the Government have taken note of unauthorised transfer of Rs 274.00 crore by Shipping Corporation of India Ltd., from special Reserve (Utilised) Account to General Reserve in contravention of provision of Section 33AC 3(c) of Income Tax Act 1961;
- (b) if so, the reasons therefor;
- (c) the action taken/proposed to be taken by the Government to avoid recurrence of such irregularities;
- (d) whether the CAG has also objected to this transfer in his audit report for the year ending March, 2002; and
- (e) if so, the reaction of the Government thereto.?

Answer

MINISTER OF STATE IN THE MINISTRY OF SHIPPING (SHRI DILIPKUMAR MANSUKHLAL GANDHI)

(a)&(b): SCI transferred a sum of Rs.274 crores from Special Reserve Utilised A/c to General Reserve during 2001-02 as the amount of Reserve created during 1998-99 and 1999-2000 has been fully utilized for acquisition of vessels. The vessels acquired have not been sold and as such the reserve becomes free for transfer to General Reserve. Hence, there is no un-authorised transfer.

There is no specific restriction or proviso in Sec.33AC(3)(c) of Income Tax Act 1961 regarding transfer of amounts utilized to Profit and Loss A/c General Reserve. The section only indicates the manner in which the Reserves should be utilized. As SCI has utilized the Reserves for acquisition of ships as mentioned above, which is mandatory condition under the section, the transfer is in accordance with section 33AC of Income Tax Act 1961. Contravention takes place only when vessels acquired are sold within specified period.

(c)to(e):It is true that CAG has objected to this transfer in his Audit Report for the year ending March, 2002.The transfer is in accordance with section 33AC of Income Tax Act 1961. SCI is a professionally managed commercial organization and Government does not interfere in such matters.